GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3161
ANSWERED ON:10.08.2001
WORLD BANK REPORT ON FISCAL DEFICIT
A. VENKATESH NAIK

Will the Minister of FINANCE be pleased to state:

(a) Whether the World Bank has expressed serious concern over India`s fiscal deficit;

(b) if so, the details of the contents of the annual global development finance report;

(c) the details of fiscal deficit of the States;

(c) the details of the current account deficit of country; and

(d) the steps taken by the Government to improve fiscal deficit?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) to (e) A Statement is attached.

Statement referred to in reply to Lok Sabha UnstarredQuestion No. 3161 by Shri A. Venkatesh Naik for answeron 10th August, 2001.

(a) & (b) The Global Development Finance Report, 2000published by the World Bank has drawn attention to recent developments in South Asia during 1999. As regards India`sfiscal deficit the Report has observed that `the budget deficit of the Central Government (5-6 percent of GDP) islikely to have well exceeded the Government`s target (4.4 percent of GDP).The large fiscal overruns of the States are also worrying.`

(b) As per the Reserve Bank of India, the Gross fiscal deficit of all State Governments was Rs.90,092 crore in 2000-01(BE) compared with Rs.94,739 crore in 1999-2000(RE).

(c) The current account deficit, which was only about 1 per cent of GDP in 1999-2000, narrowed down to just 0.5 per cent of GDP in 2000-01. This is attributed to the dynamic growth in exports, sustained buoyancy in invisible receipts combined with the decline in growth of non-oil imports.

(d) With a view to achieve fiscal consolidation, the Budget for 2001-02 emphasises expenditure management through the process of bringing about structural changes in the composition of Central Governmentexpenditure, economy in non-plan revenue expenditure while improving the quality of expenditure. To this end the Budget contains a number of initiatives which among others include restricting fresh recruitment to one per cent of total civilian staff strength, user charges for services provided by the government and its agencies to be revised keeping in view the increased cost of these services etc. Further, with a view to reduce interest burden, most administered interest rates were reduced by 1.5 per cent as of March 1,2001. Besides, the Fiscal Responsibility and Budget Management Bill, 2000 was introduced in Parliament inDecember 2000. This Bill includes provisions relatingto ceilings on debt, deficit and borrowing.